MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017/2018

BSB 3314 – SEMINAR IN BANKING

(All Sections / Groups)

26 October 2017
9.00 a.m. – 11.00 a.m.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 4 pages (including front page) with **FOUR (4)** Questions only.

2. Answer **ALL** questions.

3. Write your answers in the Answer Booklet provided.

Question 1

a) Aiming to fund a loan of RM100 million for one year from one of its best customers, CITI Bank sold negotiable Certificate of Deposits (CDs) to its business customers in the amount of RM60 million at a promised annual yield of 3.50 percent and borrowed RM40 million in the Federal funds market from other banks at today's prevailing interest rate of 3.25 percent. Credit investigation and recordkeeping costs to process this loan application were an estimated RM2,500,000. The Credit Analysis Division recommends a minimal 1 percent risk premium on this loan and a minimal profit margin of one-fifth of a percentage point. The bank prefers using cost-plus loan pricing in this cases.

Required
i) What loan rate would it charge?
ii) What is break-even point and interest cost?

(17 marks)

b) Differentiate between debt securities and equity securities. (8 marks)

(Total: 25 marks)

Question 2

According to The Star Newspaper dated 27 July 30, 2017 - Touch 'n Go Sdn Bhd's (TNG) tie-up with Alibaba's Ant Financial Services Group to build an e-wallet for the Malaysian market. It is understood that Ant Financial has inked similar deals with particular institutions in a few countries in the region, such as Emtek Group in Indonesia, CP Group's Ascend Money in Thailand, Paytm in India, Kakao Pay Corp in South Korea and Mynt in the Philippines. TNG is a 52%-owned subsidiary of CIMB, while Ant Financial is the parent company of Alipay.

Required:
Discuss the services offered by e-wallet provider such as Alipay and examine its effects particularly against traditional commercial bank.

(Total: 25 marks)

Continued...

Question 3

a) There is growing demands for offshore banking demand globally. Discuss about the offshore banking in general and the Pros and Cons of offshore banking. (17 marks)

b) You are working under bank credit department and evaluating some of the commercial loan application. Discuss how the following situations define the character of the borrower with the quality of information provided?

i) Growing trend of customer complaints to the business bureau of complaints. (4 marks)

ii) A strong family connection and several members of the family work for the business. (4 marks)

(Total: 25 marks)

Continued...

Question 4

a) Discuss the factors influencing the forex exchange in the short term and long term. (12 marks)

b) The directors of HSBC Bank is very anxious on the level of their bank competitiveness as newer banks surge in the market and change in bank legislations that allows financial institutions to offer variety of banking products. As a manager you are required to evaluate the performance and the prospect of HSBC Bank based on the following ratios:

HSBC Bank	
Financial Position	
Assets	RM 'million
Cash and due from banks	175
Investments	400
Federal Funds	18
Loan	402
Premises	205
Average Total Assets	**1,200**
Liabilities and Equity	
Demand Deposits	150
Time Deposits	325
Federal funds	425
Equity	300
Average Total Liabilities and Equity	**1,200**
Income Statement	
Interest Income	300
Interest Expense	210
Non-Interest Income	11
Non-Interest Expense	38
Net Income	63

i) Return on Equity (3 marks)
ii) Net Interest Margin (3 marks)
iii) Earnings Base (3 marks)
iv) Burden (4 marks)

(Total: 25 marks)
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